MARION COUNTY JUSTICE CENTER

FISCAL FEASIBILITY ANALYSIS

PREPARED FOR:

THE INDIANAPOLIS MARION COUNTY

CITY-COUNTY COUNCIL

March 31, 2015

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ACKNOWLEDGEMENTS

I would like to thank all those whose assistance proved to be invaluable and without whom it would have been impossible to accomplish this task.

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Fred Biesecker, General Counsel to the City-County Council

Andrew Mallon, Drewry Simmons Vornehm, LLP

Bob Clifford, H.J. Umbaugh & Associates

Ellen Byer, H.J. Umbaugh & Associates

Jeff Baize, Brookhurst Development Corporation

Indianapolis-Marion County Building Authority

Marion County Clerk and staff

Marion County Sheriff and staff

Office of Community Corrections

Marion County Superior Courts and staff

Information Services Agency

Office of Finance & Management

Mayor Gregory Ballard's Office

Finally I would like to express my deepest gratitude to President Maggie Lewis, Vice-President John Barth and Majority Leader Monroe Gray for their unconditional support during this process, and to all Councilors for their service to the City of Indianapolis and Marion County.

Respectfully,

Bart Brown,
City-County Council CFO

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Scope of Analysis- The Indianapolis Marion County City-County Council has asked its staff, with assistance from independent financial consultants Umbaugh & Associates (collectively "Council Staff"), to assess the financial arguments that have been made in favor of approving a proposed Public Private Agreement (PPA) for a new Marion County Justice Center. The favorable financial analyses and arguments were provided to the Council Staff by consultants contracted with the City of Indianapolis through the Mayor's Office. They include KPMG, HOK, and the law firms of Nossaman, LLP and Bingham Greenebaum Doll, LLP ("City Consultants"). Council Staff has worked closely with these consultants and greatly appreciate their candor and cooperation. Their work has been and will likely continue to be valuable toward resolving numerous future criminal justice facilities issues, regardless of the outcome of the current proposal.

Council Staff recognizes the facilities-based criminal justice needs expressed by the Marion County Sheriff's Department, the Marion County Superior Court, and Marion County Community Corrections Agency. Council staff accepts these needs as legitimate and likely necessary to achieve current and future operational and budgetary efficiencies. However, Council Staff does not further address the substantive and operational needs in this analysis. Evaluating these agency needs can be addressed independently in consultation with Council Staff and the respective agencies. Council staff also cautions that the desirable "ends" that these agencies and other interested parties seek should not be used to justify any potentially overvalued or superfluously costly "means" for achieving them.

The proposed PPA and preferred bid have many innovative and otherwise favorable proposed solutions to numerous troublesome problems with our current criminal justice facilities. Council Staff's financial analysis, however, also does not express any opinions with respect to the many favorable substantive attributes of the proposed project. We assume all substantive attributes will be exhaustively covered by the Mayor's Office, City Consultants, and the preferred vendor. This analysis, by contrast, is limited to an examination of the proffered financial and budgetary arguments that favor the proposed PPA and bid. Evaluating the various other substantive elements of the PPA and bid can be addressed independently in consultation with Council Staff, the respective agencies, City consultants, and the preferred vendor.

A Necessarily Conservative Approach- Council Staff must admit at the outset that its approach to this financial analysis has been conservative and sober, because this is no time to risk stretching City/County budget obligations too far. As with any professional financial analysis that attempts to project future costs and revenues, assumptions are made about future events and transactions. Some or all of the assumptions may not occur as expected and the resulting differences could be material. Given the City/County's very recent history of having to fund large structural budget deficits with a patchwork of fund balances, reserves, and one-time windfalls, there is no margin for error for failed assumptions that would adversely affect current budget obligations. This is especially important given the many pressing public safety and other municipal priorities that have gone unfunded and, unfortunately, will likely continue to go unfunded.

Moreover, the large magnitude of committed capital and operational spending, the exceedingly long-term 35 year commitment to this singular agreement and vendor, and the comparatively limited review period and access to information that Council staff has been provided also necessitate such a restrained approach, regardless of the City/County’s recent budget insecurity.

EXECUTIVE SUMMARY

CITY-COUNTY COUNCIL MCJC FINANCIAL ANALYSIS
-EXECUTIVE SUMMARY-

Council Staff's MCJC financial analysis is essentially comprised of two reports: (1) Affordability and Transition Funding Analysis; and (2) Value for Money Assessment. The analysis then highlights some additional funding concerns needing clarification during the review approval process, as well as some resulting conclusions.

These two reports respectively address two of the foundational fiscal arguments provided by the City and City Consultants in favor of approving the project, namely

(1) Marion County is able to fund the project without additional tax revenue and without affecting the budgets of other city and county agencies; and
(2) The proposed Public Private Partnership procurement method under I.C. 5-23-1-1 et seq. is the optimal cost effective procurement method available to the City over the life of the new facility.

Council Staff's analysis reveals that neither of these two favorable arguments are likely correct to the extent argued by the City and its consultants.

The following is a summary of Council Staff's findings:

Affordability and Transition Funding Analysis.

Council Staff reviewed the numerous and often changing cumulative lists of "savings" that would be anticipated as funding the "Availability Payment" due annually to WMB under the PPA. Council Staff met with agencies independently from the City's consultants. Council Staff favorably evaluated elements of savings that (1) were guaranteed or otherwise certain to exist, (2) were supported by underlying documentation or written commitments, and (3) directly resulted from the transition to the proposed new facility and were not likely to occur otherwise. Council's overarching goal was to determine if 110% coverage of the availability payment was possible. Staff found as follows:

- There exists a potential cumulative shortfall of $37.73 Million from 2018 to 2026.
- The annual schedule of availability payment shortfalls is as follows:

In $Millions	WMB Yearly Fee	Council Staff Estimate Available	Less Sheriff Attrition	Shortfall
2018	$21.90	$19.65	($3.96)	($6.21)
2019	$44.30	$39.30	($5.14)	($10.14)
2020	$44.66	$40.09	($1.55)	($6.12)
2021	$45.02	$40.89		($4.13)
2022	$45.78	$41.71		($4.07)
2023	$46.17	$43.44		($2.73)
2024	$46.58	$45.21		($1.37)
2025	$49.19	$47.01		($2.18)
2026	$49.62	$48.85		($0.77)
Cumulative Shortfall				**($37.73)**

- Elements of savings and/or projected revenue that Council Staff has evaluated as over-estimated total $9.20M over City Consultant estimates and include the following:
  - Sheriff's pledge to avoid layoffs means necessary staffing reductions are achieved through natural attrition and thus spread over first 3yrs of PPA term. This deepens shortfalls those three years (respectively $3.96M, $5.14M, and $1.55M)
  - Jail rent savings ($0.8M)
  - Jail Ezkenazi hospital emergency room charges ($3.50M)
  - Jail increased revenue from holding additional federal prisoners ($2.5M)
  - Court rent savings ($0.7M)
  - Community Corrections increased revenue from INDOC ($0.2M)
  - Proceeds from sale of old facilities ($3.3M)
  - Offsetting backfill into City-County Building ($1.4M)
- Based on Council Staff's cautious evaluations, it is not possible to achieve 100% (much less 110%) coverage of the availability payments to WMB without risking cuts to budget obligations unrelated to the project and/or needing an increase in new tax revenue.

Value for Money Assessment-

Project delivery methods- There are three public works or infrastructure project delivery methods that should have been considered by the City when initially evaluating how best to approach procuring a potential Marion County Justice Center project such as the one at issue:

1. "D-B-B": Design-Bid-Build or "traditional" construction delivery method used by state and local entities in Indiana.
2. "D-B": Design-Build construction delivery method that allows state and local governments to procure public works projects through competitive bidding between combined teams of designers and construction contractors for a guaranteed construction price. IC 5-30.
3. "D-B-F-O-M": Design-Build-Finance-Operate-Maintain is a comprehensive project delivery method, such as the method proposed by the preferred vendor for the Marion County Justice Center at issue. It provides for one guaranteed annual "availability payment" cost for the entire financing, construction, operation and maintenance of a project throughout the lifecycle of the agreement.

Public Private Partnerships- Indiana and Indianapolis have a long, but mixed history with various forms of Public Private Partnership agreements. The common issues that have arisen in unsuccessful partnerships are with the PPAs themselves, or more specifically, the ability and willingness of the City/County to fully enforce the agreements.

That said, D-B-F-O-M agreements are very rare in the United States for constructing public buildings or "vertical infrastructure." The U.S., as opposed to much of the rest of the world, uniquely subsidizes municipal bonds by making them tax-exempt. So there is far less of a market or tradition in the U.S. for using other financing methods like D-B-F-O-M by comparison. In fact, only one other "vertical infrastructure" project in the U.S. has been built using the D-B-F-O-M model, namely the Long Beach County (California) Courthouse.

Incidentally, the City of Houston justice facility was at a similar point in the D-B-F-O-M procurement process as Indianapolis is now, but very recently scrapped that exclusively D-B-F-O-M process. It has restarted the process to permit alternative delivery and financing methods (such as D-B with public financing). A very similar set of circumstances also occurred three years ago in which the P3 procurement process for the Travis County (Austin), Texas justice facility was similarly scrapped in favor of a more flexible process that allowed for other delivery methods.

Value for Money Assessments ("VfM")- The purpose of a VfM assessment is to theoretically compare the total payments in a P3 project to what it would cost the local government to procure the same deliverables through a different model, or models for delivery. A transparent and well-vetted VfM can help the public entity clearly understand the comparative costs and risks of a P3 project. But the literature reflects that VfM's are complex and often use assumptions that are unsubstantiated and favor the P3 alternative.

Furthermore, the VfM process and analysis can appear to be influenced by politics when the consultants retained by the public entity to prepare the initial VfM evaluation have contingency or "success" payments riding on the ultimate success of the P3 project.

The most comprehensive audit or analysis of VfMs was performed by the Ontario Auditor General in 2014. It noted the following characteristics of VfM assessments it examined:

1. The lack of empirical data to support key assumptions and instead reliance on the subjective professional judgment and experience of external advisors.
2. The inclusion of inappropriate risks and assumption-of-risk costs that were to be transferred to the private vendor, but in fact did not exist or otherwise were not transferred.
3. The use of high estimates of alternative long-term financing, maintenance and life-cycle costs in comparison with P3 alternatives.

Significant literature exists that outlines the risks and potential for abuses that often come with the use of VfM assessments along these same lines.

The City hired consultant KPMG in 2013 to perform a VfM assessment which Council Staff has reviewed. Council Staff has identified numerous points of disagreement with KPMG's VfM assessment- all of which significantly favored the proposed D-B-F-O-M (P3) project delivery method over other available delivery methods:

- KPMG's VfM used an arbitrary and unsubstantiated discount rate of 5% in calculating the net present value of the City's costs under the proposed agreement with WMB. This artificially deflated the present value of the proposed overall WMB project cost by over $191M compared to using a more appropriate and recognized discount rate.
- KPMG's VfM arbitrarily ignored the entire Design-Build project delivery method available to the City under I.C. 5-30. Similar to a D-B-F-O-M delivery method, the Design-Build method would allow the City to finance a guaranteed construction price and transfer much of its design and construction risks to the winning Design-Build team.
- KPMG's VfM used unsubstantiated and yet highly-unfavorable assumptions to estimate the City's alternative public, tax-exempt financing capabilities, including using an unjustifiably expensive 30 year A- rated bond plus 75 basis points. This bond rating was arbitrarily low and

unsupported by the City's existing AAA credit rating. Indianapolis maintains a AAA credit rating with two rating agencies and a AA rating with the third. Rather, far more supportable estimate would assume the City could reasonably issue a Bond through the Building Authority backed by a COIT pledge from the City with a AA municipal bond plus 50 basis points. This would significantly reduce the net-debt service payments and overall costs for the city to finance the project itself. There would be no need for a referendum, and the Building Authority is not subject to debt limitations.

- KPMG's VfM estimated the City's operation costs for the proposed facility at $10.25 per square foot of space. A standard industry survey put the average operating cost per square ft. in Indianapolis at $7.95 in 2013, or conservatively adjusted to $9.10 in 2015. Importantly, Building Authority (which currently operates both Jail and City-County Building) independently quoted the cost per square foot as $6.25 to operate the proposed justice center in 2019. Including funding of life cycle costs, the Director of the Building Authority estimated costs to be $8.08 in 2019. Given the vast experience of the Building Authority, we believe this is the appropriate figure to estimate the present value of operating and maintenance costs.
- KPMG's VfM includes an unnecessary "operating risk adjustment" cost to the City for alternatively operating the facility itself. This calculation, however, assumes an unreasonable and unsubstantiated 80% likelihood of an operating outage and assumes that the City is incapable of negotiating a separate operating agreement sufficient to avoid this risk.
- KPMG's VfM assessment includes a state tax adjustment amount that is wholly inappropriate, because local governments do not receive any state corporate tax-revenue. As such, WMB paying corporate taxes is not a value-add for the county.

<u>Conclusions</u>:

1. Council staff has concluded that, based on its own VfM that corrects these points of disagreement, the proposed D-B-F-O-M project delivery method is not the most cost effective way to finance, build, operate and maintain a new justice center facility.
2. A City-financed, Design-Build project that financed life-cycle costs and used a separate favorable operating and maintenance agreement would likely cost the City $516M ($189.5M in NPV) less than the proposed PPA with MWB.

VALUE FOR MONEY ASSESSMENT

UMBAUGH

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March 30, 2015

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Re: Marion County Justice Facility - Value for Money Assessment

Dear Bart:

In connection with the Indianapolis Marion County City-Council's deliberations on the proposed Marion County Justice Facility proposal from WMB for the Consolidated City of Indianapolis-Marion County, Indiana, we have, at your request, prepared this special purpose report. This special purpose report includes the following schedules:

In the preparation of these schedules, assumptions were made as noted regarding certain future events. As is the case with such assumptions regarding future events and transactions, some or all may not occur as expected, and the resulting differences could be material. We have not examined the underlying assumptions nor have we audited or reviewed the historical data. Consequently, we express no opinion thereon, nor do we have a responsibility to prepare subsequent reports.

Umbaugh

INDIANAPOLIS-MARION COUNTY VALUE FOR MONEY ASSESSMENT

DEFINITIONS

Certain terminology and jargon used within this report may be unfamiliar to the readers or used in a different context. An understanding of the use of these terms used throughout the document will provide a uniform understanding of our terminology as used in this report.

Design-Bid-Build ("D-B-B"): D-B-B delivery is the oldest and most traditional type of public procurement and has historically been the most common form of delivery for Indianapolis. It begins with the municipality hiring an architect to design and engineer a project, and then the completed drawings are put out to bid upon by construction companies. The sealed bids are opened at the same time with the award being given to the lowest responsible bidder.

Advantages:

- *Assures lowest bid.*
- *Removes subjectivity from the selection process better assuring all bidders are treated equally.*
- *Architect remains in a fiduciary role to the public facility owner.*

Disadvantages:

- *During design, there is no assistance or recommendations as to the constructability of the project from experienced construction professionals.*
- *There is not a full vetting of cost saving alternates during the design phase.*
- *A "cheaper is better" mentality is encouraged among bidding contractors in what is called "a race to the bottom."*
- *Errors in the design and engineering are often discovered during construction resulting in delays and added costs due to change orders. These added costs are the responsibility of the public owner, who holds the A&E contract.*
- *Delays and budget busts are most problematic with this delivery, thus giving it the reputation as "design-bid-build-litigate."*
- *It has the highest level of risk retention for the public owner.*

Design-Build ("D-B"): D-B is a method of project delivery in which one entity signs a single contract accepting full responsibility for both design and construction services of the building facility. This entity is any party that meets the requirements within the public owners' jurisdiction with respect to offering and performing such services. D-B is defined as the selection of the qualified design/build entity through a competitive process which may require evaluation of the concept design and project cost, along with other criteria[1]. D-B projects are often referred to as P3's.

In theory, the D-B process relies upon the D-B team to provide all design services. In practice, however, virtually all D-B projects begin with the municipality hiring an architect to provide

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[1] *The American Institute of Architects. Position Statement Regarding Design-Build. Washington, DC. December, 1997.*

Design-Build (Cont'd)

conceptual and schematic designs while also producing "performance specifications" as to the standards and building materials the completed project must meet. Collectively, these documents are called "bridging documents" and can be anywhere from 15% to 40% of the finished drawings. The City of Indianapolis/Marion County has legal authority to use D-B procurement to design and build its needed capital projects pursuant to State of Indiana - Ind. Code Ann. § 5-30-2-1 et seq.

Advantages:

- *The public owner does not have to coordinate the activities of the designer and contractor as one party is responsible for both functions.*
- *The single contract approach reduces administration costs as it requires the monitoring of one contract rather than multiple contracts, which are required in traditional procurement methods.*
- *Neither the public entity nor the project is endangered due to the architect and contractor having different goals, which often results in highly frictional confrontations in the traditional D-B-B process.*
- *Design and construction phases of a project can be overlapped. This not only allows for construction to begin before the design is fully completed, it allows the designer to incorporate design changes in a more efficient and timely manner.*
- *A guaranteed maximum price ("GMP" or alternatively, "GMAX") is provided thus guaranteeing total costs of project with risk of budget busts and/or schedule delays being transferred to the private D-B team. The D-B entity usually issues a project-specific performance and completion bond backed by a major surety.*
- *The D-B process allows the highest transference of design and construction risk to the private sector of all the delivery methods.*

Disadvantages:

- *Because the design is not completed at the time of bidding, it is sometimes argued that the public entity loses control over the ultimate design.*
- *Whilst the D-B-B process dissociates the designer's interest from the contractor's, D-B realigns the designer's interest with that of the contractor's.*
- *There is often greater subjectivity in the selection of the D-B team as opposed to D-B-B delivery.*
- *There is debate that in the shifting of risk to the D-B team, there is an associated increase in cost; however, there are no objective studies substantiating this.*

DEFINITIONS (Cont'd)

Design-Build-Finance-Operate-Maintain ("D-B-F-O-M"): D-B-F-O-M simply describes the services being required as a part of a public solicitation. In addition to the designing, building and financing of the facility, D-B-F-O-M requires post-completion operations and maintenance of the facility. D-B-F-O-M projects are more prevalent in the international markets where the availability of tax-exempt financing is not available for public projects. While D-B-F-O-M differs from a traditional D-B, D-B-F-O-M projects are also referred to as P3's.

Today, promoters of the international P3 availability payment/concession delivery model (P3/PBI) indicate that D-B-F-O-M delivery benefits are only realizable through their foreign delivery structure, and thus call their method of delivery the "D-B-F-O-M" model. <u>This is incorrect as it wrongfully associates the definition of D-B-F-O-M as being the international model. It also mischaracterizes the applicability of D-B-F-O-M benefits as seen in traditional P3 projects in the U.S</u>. D-B-F-O-M project solicitation has been used in the U.S. for several decades prior to the recent introduction of the P3/PBI model, most notably with federal projects such as clinics for the Dept. of Veterans Affairs and FBI headquarters. It is also used at the state and local level when ongoing management and operational standards are required, and the respective government entity does not have the resources to assure those standards. Historically, U.S. P3 projects that employ a D-B-F-O-M delivery do so through a facility lease agreement wherein the public agency leases the facility over a period of time, then, typically owns the facility at the termination of the lease. These projects also may carry penalties for the owner/landlord not adhering to certain management standards as promoted in the P3/PBI model.

It bears noting that developers of P3 projects that point to the benefits of expediting delivery while transferring construction costs risk to the private sector can only do this due to their using a D-B contracting arrangement with their general contractor and designer. The same construction and design risk transference promoted in the P3 model(s) can be accomplished if the public entity uses a more traditional approach while using a D-B contracting arrangement.

INDIANAPOLIS-MARION COUNTY VALUE FOR MONEY ASSESSMENT

A HISTORY OF PUBLIC PRIVATE PARTNERSHIPS

The City of Indianapolis has been on the forefront of various forms of Public Private Partnerships since the late 1988 with the construction of the Indianapolis Resource Recovery System. Other Public Private Partnerships include the operating contract for the Sanitation Department with United Water, outsourcing portions of the City's solid waste collection, outsourcing portions of the operations of the County's Information Systems Agency, with Veolia to operate the Indianapolis Waterworks, the more recent contract with ACS for the operations of the downtown parking meters and contracting with Alex Carrol for the build out and leasing of the Indianapolis Regional Operations Center.

The State of Indiana has also been involved with P3's including the "leasing" of the Indiana Toll Road, construction of Interstate 69 and the bridge across the Ohio River. P3's are a popular theme today given the tremendous need for infrastructure development in the USA, but not all P3's carry the same risks. D-B-F-O-M contracts are similar to D-B contracts, but are more comprehensive, complex and riskier than the D-B model. The risks involved in D-B-F-O-M contracts are great as noted by the Brookings-Rockefeller Group. "D-B-F-O-M...public/private partnerships are complicated contracts that often differ significantly from project to project and from place to place. As the challenges to infrastructure development throughout the United States become more complex, there is a constant concern in the United States that public entities are ill-equipped to consider such deals and fully protect the public interest."[2]

The success of the P3's in Indianapolis and Indiana have been mixed at best. The common issue with the unsuccessful partnerships have been the contract or the ability to enforce the contract itself. The operations of the Indianapolis Waterworks by Veolia was a failure on many fronts, resulting in Indianapolis through Citizens Energy buying out the Veolia contract costing rate payers millions of dollars through higher water bills. Indianapolis Water is now being operated by Citizens Water, which is technically the Department of Public Utilities for the City of Indianapolis. Some might call this a reverse privatization.

The operations of the Regional Emergency Operations Center by a private contractor has been a costly disaster and contractual issues are under investigation by this Council. The Indiana Toll Road operator is now in bankruptcy with many questions remaining on the long-term success of the project. Even Indiana Transportation Commissioner Karl Browning, who has contracted for several P3 contracts using availability payments similarly to what has been proposed by Indianapolis for the Justice Center (including the financing of Indiana's share of the Ohio River Bridges project), stated: "It's a lot like borrowing," Browning said in a recent conference call with the Indiana Chamber of Commerce. "I would be more than cautious about the notion of doing public-private partnerships of the nature of some of them that we've done."[3]

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[2] Brookings-Rockefeller/Project on State and Metropolitan Innovation, December 2011.
[3] Indianapolis Business Journal, November 22, 2014.

INDIANAPOLIS-MARION COUNTY VALUE FOR MONEY ASSESSMENT

A HISTORY OF PUBLIC PRIVATE PARTNERSHIPS (Cont'd)

The fundamental driver for the D-B-F-O-M contract is the assertion that it will enable the public sector to harness the expertise and efficiencies that the private sector can bring to the delivery of certain facilities and services traditionally delivered by the public sector. The D-B-F-O-M model currently contemplated by the City-County is relatively new to the United States. In fact, only one other vertical infrastructure project has been built (Long Beach Courthouse) using this model in the United States. The D-B-F-O-M model has its limitations as summarized by the California Legislative Analyst's Office. These limitations include[4]:

- Increased financing costs
- Greater possibility for unforseen challenges
- Limits on government flexibility
- New risks from complex procurement
- Fewer bidders

One reason the D-B-F-O-M model is of limited use in the United States is the availaiblity of tax-exempt financing, which provides the traditional financing of government facilities a tremendous advanatage on a capital intensive project like the Marion County Justice Center.

[4] Maximizing State Benefits from Public-Private Partnerships; Mic Taylor Legislative Analyst, November 8, 2012, pages 11-12.

VALUE FOR MONEY ASSESSMENTS

In an effort to compare the efficacy of using P3's, consultants throughout Canada, Europe, Australia and now the United States have developed Value for Money ("VfM") assessments. The purpose of the VfM assessment is to theoretically compare the total payments involved with the P3 project to what it would cost the local government to provide this same infrastructure and operating costs in a different model of delivery. "These VfM assessments take into account both estimated tangible costs (including construction, financing, legal services, engineering services and project management services) and the estimated costs of related risks (for example, late changes to project design or changes in government priorities that result in delays)."[5]

When developing a VfM framework, it is vitally important to consider advantages and disadvantages of each delivery model under consideration. VfM's can be useful in providing objective analysis for the public sponsor to clearly understand the costs and risks of a project. A transparent and well vetted VfM can also be used to enhance public support for a given project. VfM's are complex and often assumptions used in their preparation remain unsubstantiated. Furthermore, the VfM process can appear to be influenced by politics when the consultants preparing the VfM have contingency payments riding on the success of the project. To arrive at a true comparison of all the different delivery models, a VfM should compare each model of delivery. The VfM for the Justice Center prepared by KPMG only compared the D-B-B model to the D-B-F-O-M model.

The most comprehensive audit or analysis of VfM's was performed by the Ontario Auditor General in 2014. The objective and scope of the audit by the Ontario Auditor General was to assess whether Infrastructure Ontario[6] had effective systems and processes in place to competently analyze alternatives and consider significant risks in the final agreement of P3's. The Auditor General's 2014 Annual Report noted the following with respect to VfM assessments.

1. The lack of empirical data supporting key assumptions and instead relying on the use of professional judgement and experience of external advisors.

2. The inclusion of inappropriate risks and assuming risk cost would be transferred that would not be transferred.

3. The use of high estimates of long-term financing, maintenance and life-cycle costs.

Furthermore, the Ontario Auditor General noted, "for the projects we reviewed, it was only Infrastructure Ontario's costing of the risks and the impact of transferring some of them to the private sector under AFP that tipped the balance in favor of AFP over public-sector project delivery. As noted, Infrastructure Ontario's VFM assessments indicate that risks to the province are about five times higher when the public sector delivers projects than under AFP."[7] The Auditor General then noted:

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[5] 2014 Annual Report of the Office of the Auditor General of Ontario.
[6] Infrastructure Ontario was created in 2005 to deliver large scale, complex infrastructure projects using Alternative Financing and Procurement ("AFP").
[7] 2014 Annual Report of the Office of the Auditor General of Ontario page 198.

VALUE FOR MONEY ASSESSMENTS (Cont'd)

> "While we acknowledge that there are examples of recent projects delivered by the public sector that have experienced cost overruns, there is no empirical data supporting the key assumptions used by Infrastructure Ontario to assign costs to specific risks. Instead, the agency relies on the professional judgment and experience of external advisers to make these cost assignments, making them difficult to verify. In this regard, we noted that often the delivery of projects by the public sector was cast in a negative light, resulting in significant differences in the assumptions used."[8]

The British Columbia Office of the Canadian Centre for Policy Alternatives also took a hard look at VfM's in June of 2006 and found:

> "The normal deliberations that go into making sound decisions about infrastructure projects are being influenced by "Value for Money" assessments (produced by Partnerships BC) that have limited use. These reports are so subjective, so susceptible to manipulation by vested interests, so complicated, and so consistently withheld from appropriate public scrutiny that they must be done by the Auditor General's office to be of any legitimate use."[9]

Another interesting finding of the Canadian Centre for Policy alternatives was that P3's claim to be completed on time and on budget, but because of their complexity D-B-F-O-M's often lead to delays and greater costs. We are seeing this very fact here in Indianapolis with the proposed Marion County Consolidated Justice Center ("Justice Center"). The procurement process for the proposed Justice Center began seventeen months ago, and yet the final contracts are not completed, and many of the critical documents related to the procurement are still being kept confidential. Had the project been positioned as a D-B or a D-B-B, it is quite possible construction might actually have been underway by now.

Finally another critque of VfM analysis was made by the California Legislative Analysts's office ("LAO"). In its report on titled "Maximizing State Benefits From Public Private Partnerships," the LAO stated:

> "Both Caltrans and AOC contracted with private consultants to perform such analyses for the Presidio Parkway and the Long Beach courthouse projects. Specifically, the analyses compared the costs of constructing the project under a more traditional approach to a P3 approach. The VfM analyses found that the state would benefit financially if the Presidio Parkway and Long Beach courthouse projects were procured as P3s-meaning it would be cheaper to have a private developer build and operate the planned facility. **Our review of these particular analyses, however, indicate that both VfM analyses were based on several assumptions that are subject to significant uncertainty and interpretation and tended to favor a P3 procurement."**[10]

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[8] IBID

[9] Value for Money, Cautionary Lessons about P3s from British Columbia; Canadian Centre for Policy Alternatives, June 2006.

[10] Maximizing State Benefits from Public-Private Partnerships; Mic Taylor Legislative Analyst, November 8, 2012, page 18.

INDIANAPOLIS-MARION COUNTY VALUE FOR MONEY ASSESSMENT

REVIEW OF JUSTICE CENTER VFM

Indianapolis' consultant (KPMG) prepared the VfM for the proposed Justice Center. Umbaugh was asked by the City-County Council to review the VFM prepared by KPMG, and provide feedback on the assessment. We were not tasked with evaluating what comprised the contractor's ("WMB") availability payment, but rather evaluating the VfM prepared by KPMG to determine if the City was getting a fair or good deal on the project. The VfM presented to Umbaugh by KPMG was as follows:

$ millions[11]		
	Design-Bid -Build	WMB
Availability Payments	NA	$717.6
Net Debt Service	$571.6	NA
Operating cost	217.0	-
Operating risk adjustment	60.8	-
Cost before state tax adjustment	$849.4	$717.6
State Tax Adjustment	2.5	-
Total cost	$851.9	$717.6

The first portion of the analysis is the availability payment. This figure represents the Net Present Value ("NPV") of the stream of payments Indianapolis is likely to make to WMB. These payments may be adjusted in the future for penalties incurred or inflation running higher than anticipated on the portions of the availability payment that are not fixed. KPMG has properly reflected the NPV of the availability payments at 5% as required by the City's Request for Proposal; however as discussed further below, this is an arbitrary discount rate, and is not appropriate for the VfM comparisons.

The Discount Rate:

The City's bid documents required WMB and the other bidders to present value their service fee at 5%. In comparing a series of payments between private sector bidders, the use of this rate places each of the bidders on equal footing. However, this discount rate used in a VfM assessment should be reviewed carefully. The U.S. Department of Transportation Federal Highway Administration's December 2012 Value for Money Assessment for Public Private Partnerships: A Primer, noted:

[11] NPV basis at 5% interest to November 1, 2014.

The Discount Rate (Cont'd):

> "Because the discount rate has a large effect on the NPV of the procurement alternatives and therefore the final VfM analysis, public agencies have given much consideration to it. However, there is no international consensus on the appropriate methodology for calculating the rate to use and the risks that should be reflected in that rate. In some countries, fixed discount rates are used for all projects irrespective of their individual characteristics, while others determine project specific discount rates. Each approach has its own challenges."[12]

Other methods recommended by the Department of Transportation to determine the appropriate discount rate would include:

- *Weighted Average Cost of Capital* (WACC) which incorporates the financing principle that the cost of obtaining finance is separate from the cost of using finance, risk is inherent in a particular asset, and investors in the marketplace are the best estimators of risk value.
- *Capital Asset Pricing Model (CAPM):* This approach applies different discount rates to the PSC and P3 delivery structure, utilizing the CAPM for P3 delivery to account for systematic risk within the project cash flows. With this approach, a risk markup is added to a risk-free discount rate to account for "risky" cash flows (i.e., distributions to equity investors), while the risk-free discount rate is used for the "non-risky" cash flows. The CAPM rate reflects systemic risks, i.e., risks that affect the market as a whole (such as the risk of recession) that are transferred to the private sector. The theory is that as the public sector transfers its systemic risk to the private sector, the private sector should be compensated through a higher rate of return. This approach is used by Infrastructure Australia.
- *Risk-Free Rate*: This approach uses the public sector's long-term borrowing rate if the project risks are reflected in the project cash flows. Historically, the rate on a federal Treasury bill or Treasury bond has been viewed as the risk-free rate in the U.S.[13]

When discounting liabilities for financial reporting purposes, generally accepted principles promulgated by the Government Accounting Standards Board, Statement 62 require payables that represent contractual rights to pay money on fixed or determinable dates to impute an interest rate. This rate is typically assumed to be rate at which the borrower can obtain financing of a similar nature from other sources. Thus, if the City were to follow through with the proposed D-B-F-O-M, they would be required to recognize a liability in their Comprehensive Annual Financial Report for the discounted future payments to be made to WMB at the City's borrowing rate.

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[12] The U.S. Department of Transportation Federal Highway Administration, December 2012 Value for Money Assessment for Public Private Partnerships, page 3-3.
[13] Ibid.

The Discount Rate (Cont'd):

Another argument against issuing bonds has been that the D-B-F-O-M annual availability payments will not be considered debt. However, this assumption is mistaken. Attachment A is a Report by Moody's Investor Services dated February 2, 2015 indicating availability payments would be considered debt-like and included in their measure of debt for the City.

We believe the City's long-term borrowing rate appropriately reflects the risk in the projected cash flows. The City's borrowing rate is effectively the alternative to the D-B-F-O-M model, and should be considered. Using this public sector rate has a considerable impact on the present value of the future cash flows to be paid to WMB. The following page shows the Discount Factor and Present Value of the Service Fee provided to Umbaugh by the City. Using these factors, Umbaugh calculated the undiscounted Service Fee and then recalculated the present value of Service Fee using the City's estimated borrowing rate as of November 24, 2014 of 3.66%. This rate was based on MMD "AA" rates plus 50 basis points as of 11/24/14. See Attachment B. Using the City's borrowing rate instead of the arbitrary discount rate of 5% increases the present value of WMB's bid by $191.1 million to $908.8 million as detailed on the following page.

INDIANAPOLIS-MARION COUNTY VALUE FOR MONEY ASSESSMENT

PRESENT VALUE OF WMB SERVICE FEE

Scheduled Fee	Discount Factor (a)	Present Value of Service Fee @5% (a)	Service Fee (a)	Discount Factor Assuming City's NIC (b)	PV of Service at City's Borrowing Rate on 11/24/14	Impact of Different PV Factors
2018	0.815	$18,917,188	$23,211,274	0.8605	$19,972,233	$1,055,045
2019	0.777	36,355,228	46,789,225	0.8298	38,824,150	2,468,922
2020	0.740	34,902,154	47,165,073	0.8005	37,753,848	2,851,694
2021	0.704	33,475,455	47,550,362	0.7722	36,718,011	3,242,556
2022	0.671	32,171,255	47,945,238	0.7449	35,715,391	3,544,136
2023	0.639	30,895,642	48,349,987	0.7186	34,744,886	3,849,244
2024	0.609	29,697,799	48,764,859	0.6932	33,805,402	4,107,603
2025	0.579	28,481,085	49,190,130	0.6687	32,895,895	4,414,810
2026	0.552	27,393,554	49,626,004	0.6451	32,015,305	4,621,751
2027	0.526	26,338,280	50,072,776	0.6223	31,162,667	4,824,387
2028	0.501	25,315,889	50,530,717	0.6004	30,337,027	5,021,138
2029	0.477	24,327,062	51,000,130	0.5792	29,537,480	5,210,418
2030	0.454	23,372,489	51,481,253	0.5587	28,763,113	5,390,624
2031	0.432	22,452,944	51,974,407	0.5390	28,013,084	5,560,140
2032	0.413	21,674,195	52,479,891	0.5199	27,286,567	5,612,372
2033	0.392	20,775,228	52,998,031	0.5016	26,582,775	5,807,547
2034	0.373	19,966,356	53,529,105	0.4839	25,900,919	5,934,563
2035	0.356	19,250,150	54,073,455	0.4668	25,240,266	5,990,116
2036	0.340	18,574,681	54,631,415	0.4503	24,600,099	6,025,418
2037	0.322	17,775,476	55,203,342	0.4344	23,979,735	6,204,259
2038	0.307	17,127,391	55,789,547	0.4190	23,378,490	6,251,099
2039	0.293	16,522,390	56,390,410	0.4042	22,795,728	6,273,338
2040	0.280	15,961,762	57,006,293	0.3900	22,230,827	6,269,065
2041	0.265	15,273,961	57,637,589	0.3762	21,683,193	6,409,232
2042	0.253	14,746,017	58,284,652	0.3629	21,152,234	6,406,217
2043	0.241	14,206,442	58,947,892	0.3501	20,637,397	6,430,955
2044	0.230	13,714,374	59,627,713	0.3377	20,138,142	6,423,768
2045	0.218	13,150,751	60,324,546	0.3258	19,653,953	6,503,202
2046	0.208	12,696,067	61,038,784	0.3143	19,184,317	6,488,250
2047	0.198	12,230,634	61,770,879	0.3032	18,728,752	6,498,118
2048	0.189	11,816,520	62,521,270	0.2925	18,286,790	6,470,270
2049	0.180	11,392,280	63,290,444	0.2822	17,857,984	6,465,704
2050	0.171	10,957,480	64,078,830	0.2722	17,441,887	6,484,407
2051	0.163	10,576,568	64,886,920	0.2626	17,038,080	6,461,512
2052	0.156	10,251,574	65,715,218	0.2533	16,646,160	6,394,586
2053	0.148	4,925,754	33,282,122	0.2444	8,132,868	3,207,114
		$717,662,075	$1,927,159,781		$908,835,655	$191,173,580

(a) The Discount Factor and the PV of the Service Fee were provided by the the City. The actual service fee was computed by dividing the Discounted Service Fee by the Discount Factor.

(b) The Discount Factor Assuming the City's NIC (Net Interest Cost) was calculated using a interest rate of 3.637%. See Attachment A for the NIC. A $649 million bond issue is used to compute this NIC. Rates were based on MMD "AA" bonds plus 50 basis points as of 11/24/14.

(Subject to the attached letter of Umbaugh dated March 30, 2015)

Net Debt Service:

KPGM estimated debt service based on a 30-year property tax-backed debt with an "A-" rating plus 75 basis points above MMD. The payments were then discounted at 5%. We believe this is an overly conservative estimate. Indianapolis currently maintains an "AAA" rating with two rating agencies and an "AA" with the third. The City's access to the markets is still quite strong.

In evaluating the credit for this we believe the rating agencies would consider that Indianapolis is funding this major project out operational savings and would require no new funding source (taxes), and they would only be using existing funding. Hence, funding this project with a pledge of County Option Income Taxes ("COIT") for the bonds to the Building Authority or through a lease transaction would likely have no impact on the City's rating.

Funding for the Sheriff, Courts and other Public Safety functions comes from two primary sources of revenues, property taxes and COIT. For purposes of this report, COIT includes the portion of the tax dedicated to funding public safety.

The 2013 Comprehensive Annual Financial Report ("CAFR") of the City reported $154 million in COIT with the "Certified" 2014 COIT projected to be $164 million. Page 55 of the 2013 CAFR indicates that none of the City's COIT has been pledged to the repayment of existing debt. Assuming coverage of between 150 and 200%, the City could easily pledge annual debt service of $50 million.

Attachment B to this report shows an analysis of the annual debt service required for a $664.1 million financing. This financing would include a deposit of $546.5 million into a construction fund[14], cost of issuance of $13.3 million, a deposit to a debt service reserve of $36.8 million and a deposit into a capitalized interest fund of $67.5 million. The average debt service for this financing would be an estimated $36.8 million based on MMD rates as of 11/24/2014 for an "AA" municipal bond plus 50 basis points. The net interest cost would be 3.661%. The present value of the project would be $664.1 million given that we are discounting this at the City's borrowing rate. The total principal and interest payments for this project would be $1.1 billion.

Attachment C to this report shows an analysis of the annual debt service required for a $534.8 million financing. This financing would include a deposit of $440.1 million into a construction fund[15], cost of issuance of $10.7 million, a deposit to a debt service reserve of $29.7 million and a deposit into a capitalized interest fund of $54.3 million. The average debt service for this financing would be an estimated $29.7 million based on MMD rates as of 11/24/2014 for an "AA" municipal bond plus 50 basis

[14] $546.5 million was the estimated cost of the project assuming a D-B-B model as estimated by the City's consultants.

[15] $440.1 million was the cost of the "Shadow Project" as estimated by the City's consultants. Assuming a GMAX bid is the same for all P3's this was chosen as a conservative estimate. The GMAX per the City's consultants is $408 million. Arguments could be made that a GMAX of $408 million could be used for each model.

Net Debt Service (Cont'd):

points. The net interest cost would again be 3.661%. The present value of the project would be $534.8 million given that we are discounting this at the City's borrowing rate. The total principal and interest payments for this project would be $890.1 million. We believe this would be a conservative estimate of the GMAX had the City considered a D-B project.

Operating Cost:

The VfM prepared by KPGM showed a present value for operating costs for the 35 years of $280.7 million. The operating costs were estimated at $10.25 per square foot of space by KPMG. However a review of the Building Owners and Managers Association 2013 Survey, ("BOMA") Exchange Report for 2013, the average cost per square foot was only $7.95 per square foot in Indianapolis. Assuming four years of inflation at 3%, the cost for 2015 would be approximately $9.21 indicating the consultant's estimate is approximately 11% higher than the projected Indianapolis market. Finally, the Building Authority was asked to estimate operating expense and life cycle costs for the Justice Center. The Director's estimate was approximately $8.08 for 2019.

The Building Authority has been operating the Indianapolis City-County Building and Marion County Jail for decades. While both buildings are arguably long-in the tooth, they are both functional and available 365 days of the year. Both buildings are over 50 years old, and no longer state of the art. Old buildings are typically less efficient and require more maintenance and repairs than would a newly constructed building.

Assuming all else being equal, a conservative estimate for the operating expenses for the new building would be to use $8.08 per square foot. These estimated costs were provided by the Building Authority and are a little over the average of the projected BOMA average cost and the Building Authorities' estimated cost. The operating costs presented by the City's consultants are unrealistic and should be reduced by 34% to $184.5 million.

Operating Risk Adjustment:

The City's consultants have estimated an Operating Risk Adjustment with a present value of $61.3 million for the D-B-B model. This risk adjustment theoretically calculates the risk of operating issues causing unavailability of the facilities based on the potential cost to WMB of forfeiting a portion of the Service Fee based on financial penalties imposed under the proposed contract.

The consultants have assumed an 80% probability of the likelihood of the occurrence of forfeiture. Another way to consider this assessment is that the City is paying WMB $61.3 for their assumption of the risk they will forfeit a portion of their availability payment. This assessment is unsubstantiated and not linked to Indianapolis' experience with courts and jail beds being unavailable, and has not been included in our analysis.

The City's consultants provided Umbaugh with some of their supporting studies. While these studies were helpful in understanding the positions taken by KPGM in their VfM, we found them to be unconvincing and not necessarily applicable to Indianapolis, Indiana and a vertical P3 project.

State Tax Adjustment:

The State Tax Adjustment of $2.6 million "adds back state tax revenues assumed in the WMB proposal for Indiana's State corporate tax rate."[16] The amount should be zero since the state does not share any of its corporate tax revenues with its Cities and Towns, and the intent of this analysis is to show the "value" of the D-B-F-O-M to Indianapolis.

[16] Page 7 of City of Indianapolis Consolidated Justice Facility Value for Money Analysis.

Revised VfM:

Below is a recasting of the VfM assessment given our assessment of the estimated costs of the project as discussed above:

$ millions	D-B-B	D-B	WMB
Availability Payments	NA	NA	$908.8
Net Debt Service	$664.1	$534.8	NA
Operating cost ($8.08 Sq. ft.)	184.5	184.5	-
Operating risk adjustment	-	-	-
Cost before state tax adjustment	$848.6	$719.3	$908.8
State Tax Adjustment	-	-	-
Total cost	$848.6	$719.3	$908.8

Conclusion:

In the preparation and review of our revised VfM, Umbaugh reviewed the "Comparative Analysis of P3 Options – Quantitative Review of the Deukmejian (Long Beach Courthouse Case Study for the Indianapolis Justice Complex" dated March 26, 2015 prepared by the Brookhurst Development & Consulting Corporation. Brookhurst prepared the report at the request of Umbaugh. The quantitative analysis of the Long Beach Courthouse was essential to our review since the Long Beach Courthouse is the only other vertical (comparable) D-F-O-M in the United States. The purpose of our review was to corroborate our findings. Our review of Brookhurst's analysis supports our conclusions.

The proposed project using a D-B-F-O-M model is not the most economical way to build and operate a new Justice Center.

INDIANAPOLIS-MARION COUNTY VALUE FOR MONEY ASSESSMENT

ANNUAL BUDGET IMPACT

Year	Design-Bid-Build Debt Service	Design-Bid-Build O&M (a)	Design-Bid-Build Total	WMB Service Fee (b)	Annual Budget Impact/(Savings)
2018		$5,056,508	$5,056,508	$23,211,274	($18,154,766)
2019	$36,843,268	10,315,275	47,158,543	46,789,225	369,318
2020	36,846,398	10,521,581	47,367,979	47,165,073	202,906
2021	36,843,133	10,732,013	47,575,146	47,550,362	24,784
2022	36,846,013	10,946,653	47,792,666	47,945,238	(152,572)
2023	36,846,413	11,165,586	48,011,999	48,349,988	(337,989)
2024	36,844,463	11,388,898	48,233,361	48,764,858	(531,497)
2025	36,843,153	11,616,676	48,459,829	49,190,130	(730,301)
2026	36,843,103	11,849,009	48,692,112	49,626,004	(933,892)
2027	36,847,493	12,085,989	48,933,482	50,072,775	(1,139,293)
2028	36,844,253	12,327,709	49,171,962	50,530,716	(1,358,754)
2029	36,845,215	12,574,263	49,419,478	51,000,130	(1,580,652)
2030	36,843,855	12,825,748	49,669,603	51,481,254	(1,811,651)
2031	36,843,770	13,082,263	49,926,033	51,974,408	(2,048,375)
2032	36,843,350	13,343,909	50,187,259	52,479,891	(2,292,632)
2033	36,845,940	13,610,787	50,456,727	52,998,031	(2,541,304)
2034	36,844,665	13,883,003	50,727,668	53,529,104	(2,801,436)
2035	36,842,775	14,160,663	51,003,438	54,073,454	(3,070,016)
2036	36,843,295	14,443,876	51,287,171	54,631,414	(3,344,243)
2037	36,844,015	14,732,753	51,576,768	55,203,341	(3,626,573)
2038	36,847,665	15,027,408	51,875,073	55,789,547	(3,914,474)
2039	36,843,940	15,327,957	52,171,897	56,390,409	(4,218,512)
2040	36,844,253	15,634,516	52,478,769	57,006,292	(4,527,523)
2041	36,843,940	15,947,206	52,791,146	57,637,591	(4,846,445)
2042	36,843,060	16,266,150	53,109,210	58,284,653	(5,175,443)
2043	36,847,850	16,591,473	53,439,323	58,947,893	(5,508,570)
2044	36,846,913	16,923,303	53,770,216	59,627,714	(5,857,498)
2045	36,847,470	17,261,769	54,109,239	60,324,547	(6,215,308)
2046	36,842,790	17,607,004	54,449,794	61,038,784	(6,588,990)
2047	36,846,333	17,959,144	54,805,477	61,770,877	(6,965,400)
2048	36,845,980	18,318,327	55,164,307	62,521,272	(7,356,965)
2049		18,684,694	18,684,694	63,290,444	(44,605,750)
2050		19,058,387	19,058,387	64,078,828	(45,020,441)
2051		19,439,555	19,439,555	64,886,922	(45,447,367)
2052		19,828,346	19,828,346	65,715,219	(45,886,873)
2053		20,224,913	20,224,913	33,282,120	(13,057,207)
Totals	$1,105,344,764	$520,763,314	$1,626,108,078	$1,927,159,782	($301,051,704)

(a) Operating and maintenance costs are based on estimates provided by the Building Authority.
(b) Based on the Annual Service Fee in Year of Expenditure Dollars provided by WMB.

(Subject to the attached letter of Umbaugh dated March 30, 2015)

INDIANAPOLIS-MARION COUNTY VALUE FOR MONEY ASSESSMENT

ANNUAL BUDGET IMPACT

	Design-Build				WMB		Annual Budget
Year	Debt Service	O&M	(a)	Total	Service Fee	(b)	Impact/(Savings)
2018		$5,056,508		$5,056,508	$23,211,274		($18,154,766)
2019	$29,670,303	10,315,275		39,985,578	46,789,225		(6,803,647)
2020	29,671,493	10,521,581		40,193,074	47,165,073		(6,971,999)
2021	29,670,348	10,732,013		40,402,361	47,550,362		(7,148,001)
2022	29,669,828	10,946,653		40,616,481	47,945,238		(7,328,757)
2023	29,674,198	11,165,586		40,839,784	48,349,988		(7,510,204)
2024	29,672,410	11,388,898		41,061,308	48,764,858		(7,703,550)
2025	29,672,955	11,616,676		41,289,631	49,190,130		(7,900,499)
2026	29,670,305	11,849,009		41,519,314	49,626,004		(8,106,690)
2027	29,673,120	12,085,989		41,759,109	50,072,775		(8,313,666)
2028	29,669,680	12,327,709		41,997,389	50,530,716		(8,533,327)
2029	29,670,493	12,574,263		42,244,756	51,000,130		(8,755,374)
2030	29,669,303	12,825,748		42,495,051	51,481,254		(8,986,203)
2031	29,669,985	13,082,263		42,752,248	51,974,408		(9,222,160)
2032	29,671,215	13,343,909		43,015,124	52,479,891		(9,464,767)
2033	29,671,630	13,610,787		43,282,417	52,998,031		(9,715,614)
2034	29,669,830	13,883,003		43,552,833	53,529,104		(9,976,271)
2035	29,669,378	14,160,663		43,830,041	54,073,454		(10,243,413)
2036	29,673,618	14,443,876		44,117,494	54,631,414		(10,513,920)
2037	29,670,668	14,732,753		44,403,421	55,203,341		(10,799,920)
2038	29,673,963	15,027,408		44,701,371	55,789,547		(11,088,176)
2039	29,671,173	15,327,957		44,999,130	56,390,409		(11,391,279)
2040	29,671,360	15,634,516		45,305,876	57,006,292		(11,700,416)
2041	29,672,860	15,947,206		45,620,066	57,637,591		(12,017,525)
2042	29,673,570	16,266,150		45,939,720	58,284,653		(12,344,933)
2043	29,672,550	16,591,473		46,264,023	58,947,893		(12,683,870)
2044	29,671,833	16,923,303		46,595,136	59,627,714		(13,032,578)
2045	29,671,080	17,261,769		46,932,849	60,324,547		(13,391,698)
2046	29,668,945	17,607,004		47,275,949	61,038,784		(13,762,835)
2047	29,669,080	17,959,144		47,628,224	61,770,877		(14,142,653)
2048	29,669,945	18,318,327		47,988,272	62,521,272		(14,533,000)
2049		18,684,694		18,684,694	63,290,444		(44,605,750)
2050		19,058,387		19,058,387	64,078,828		(45,020,441)
2051		19,439,555		19,439,555	64,886,922		(45,447,367)
2052		19,828,346		19,828,346	65,715,219		(45,886,873)
2053		20,224,913		20,224,913	33,282,120		(13,057,207)
Totals	$890,137,119	$520,763,314		$1,410,900,433	$1,927,159,782		($516,259,349)

(a) Operating and maintenance costs are based on estimates provided by the Building Authority.

(b) Based on the Annual Service Fee in Year of Expenditure Dollars provided by WMB.

(Subject to the attached letter of Umbaugh dated March 30, 2015)

INDIANAPOLIS-MARION COUNTY VALUE FOR MONEY ASSESSMENT

COSTS COMPARED TO AVAILABLE FUNDING

	Design-Bid-Build			WMB		
Year	Available Funds (a)	Payments	Savings/ (Shortfall)	Available Funds (a)	Service Fee	Savings/ (Shortfall)
2018	$19,350,000	$5,056,508	$14,293,492	$19,350,000	$23,211,274	($3,861,274)
2019	40,980,000	47,158,543	(6,178,543)	40,980,000	46,789,225	(5,809,225)
2020	41,799,600	47,367,979	(5,568,379)	41,799,600	47,165,073	(5,365,473)
2021	42,635,592	47,575,146	(4,939,554)	42,635,592	47,550,362	(4,914,770)
2022	43,488,304	47,792,666	(4,304,362)	43,488,304	47,945,238	(4,456,934)
2023	44,358,070	48,011,999	(3,653,929)	44,358,070	48,349,988	(3,991,918)
2024	45,245,231	48,233,361	(2,988,130)	45,245,231	48,764,858	(3,519,627)
2025	46,150,136	48,459,829	(2,309,693)	46,150,136	49,190,130	(3,039,994)
2026	47,073,139	48,692,112	(1,618,973)	47,073,139	49,626,004	(2,552,865)
2027	48,014,602	48,933,482	(918,880)	48,014,602	50,072,775	(2,058,173)
2028	48,974,894	49,171,962	(197,068)	48,974,894	50,530,716	(1,555,822)
2029	49,954,392	49,419,478	534,914	49,954,392	51,000,130	(1,045,738)
2030	50,953,480	49,669,603	1,283,877	50,953,480	51,481,254	(527,774)
2031	51,972,550	49,926,033	2,046,517	51,972,550	51,974,408	(1,858)
2032	53,012,001	50,187,259	2,824,742	53,012,001	52,479,891	532,110
2033	54,072,241	50,456,727	3,615,514	54,072,241	52,998,031	1,074,210
2034	55,153,686	50,727,668	4,426,018	55,153,686	53,529,104	1,624,582
2035	56,256,760	51,003,438	5,253,322	56,256,760	54,073,454	2,183,306
2036	57,381,895	51,287,171	6,094,724	57,381,895	54,631,414	2,750,481
2037	58,529,533	51,576,768	6,952,765	58,529,533	55,203,341	3,326,192
2038	59,700,124	51,875,073	7,825,051	59,700,124	55,789,547	3,910,577
2039	60,894,126	52,171,897	8,722,229	60,894,126	56,390,409	4,503,717
2040	62,112,009	52,478,769	9,633,240	62,112,009	57,006,292	5,105,717
2041	63,354,249	52,791,146	10,563,103	63,354,249	57,637,591	5,716,658
2042	64,621,334	53,109,210	11,512,124	64,621,334	58,284,653	6,336,681
2043	65,913,761	53,439,323	12,474,438	65,913,761	58,947,893	6,965,868
2044	67,232,036	53,770,216	13,461,820	67,232,036	59,627,714	7,604,322
2045	68,576,677	54,109,239	14,467,438	68,576,677	60,324,547	8,252,130
2046	69,948,211	54,449,794	15,498,417	69,948,211	61,038,784	8,909,427
2047	71,347,175	54,805,477	16,541,698	71,347,175	61,770,877	9,576,298
2048	72,774,119	55,164,307	17,609,812	72,774,119	62,521,272	10,252,847
2049	74,229,601	18,684,694	55,544,907	74,229,601	63,290,444	10,939,157
2050	75,714,193	19,058,387	56,655,806	75,714,193	64,078,828	11,635,365
2051	77,228,477	19,439,555	57,788,922	77,228,477	64,886,922	12,341,555
2052	78,773,047	19,828,346	58,944,701	78,773,047	65,715,219	13,057,828
2053	80,348,508	20,224,913	60,123,595	80,348,508	33,282,120	47,066,388
Totals	$2,068,123,753	$1,626,108,078	$442,015,675	$2,068,123,753	$1,927,159,782	$140,963,971

(a) Based on estimates provided by Council Staff, increased by 2.0% per annum.

(Subject to the attached letter of Umbaugh dated March 30, 2015)

INDIANAPOLIS-MARION COUNTY VALUE FOR MONEY ASSESSMENT

COSTS COMPARED TO AVAILABLE FUNDING

	Design-Build			WMB		
Year	Available Funds (a)	Payments	Savings/ (Shortfall)	Available Funds (a)	Service Fee	Savings/ (Shortfall)
2018	$19,350,000	$5,056,508	$14,293,492	$19,350,000	$23,211,274	($3,861,274)
2019	40,980,000	39,985,578	994,422	40,980,000	46,789,225	(5,809,225)
2020	41,799,600	40,193,074	1,606,526	41,799,600	47,165,073	(5,365,473)
2021	42,635,592	40,402,361	2,233,231	42,635,592	47,550,362	(4,914,770)
2022	43,488,304	40,616,481	2,871,823	43,488,304	47,945,238	(4,456,934)
2023	44,358,070	40,839,784	3,518,286	44,358,070	48,349,988	(3,991,918)
2024	45,245,231	41,061,308	4,183,923	45,245,231	48,764,858	(3,519,627)
2025	46,150,136	41,289,631	4,860,505	46,150,136	49,190,130	(3,039,994)
2026	47,073,139	41,519,314	5,553,825	47,073,139	49,626,004	(2,552,865)
2027	48,014,602	41,759,109	6,255,493	48,014,602	50,072,775	(2,058,173)
2028	48,974,894	41,997,389	6,977,505	48,974,894	50,530,716	(1,555,822)
2029	49,954,392	42,244,756	7,709,636	49,954,392	51,000,130	(1,045,738)
2030	50,953,480	42,495,051	8,458,429	50,953,480	51,481,254	(527,774)
2031	51,972,550	42,752,248	9,220,302	51,972,550	51,974,408	(1,858)
2032	53,012,001	43,015,124	9,996,877	53,012,001	52,479,891	532,110
2033	54,072,241	43,282,417	10,789,824	54,072,241	52,998,031	1,074,210
2034	55,153,686	43,552,833	11,600,853	55,153,686	53,529,104	1,624,582
2035	56,256,760	43,830,041	12,426,719	56,256,760	54,073,454	2,183,306
2036	57,381,895	44,117,494	13,264,401	57,381,895	54,631,414	2,750,481
2037	58,529,533	44,403,421	14,126,112	58,529,533	55,203,341	3,326,192
2038	59,700,124	44,701,371	14,998,753	59,700,124	55,789,547	3,910,577
2039	60,894,126	44,999,130	15,894,996	60,894,126	56,390,409	4,503,717
2040	62,112,009	45,305,876	16,806,133	62,112,009	57,006,292	5,105,717
2041	63,354,249	45,620,066	17,734,183	63,354,249	57,637,591	5,716,658
2042	64,621,334	45,939,720	18,681,614	64,621,334	58,284,653	6,336,681
2043	65,913,761	46,264,023	19,649,738	65,913,761	58,947,893	6,965,868
2044	67,232,036	46,595,136	20,636,900	67,232,036	59,627,714	7,604,322
2045	68,576,677	46,932,849	21,643,828	68,576,677	60,324,547	8,252,130
2046	69,948,211	47,275,949	22,672,262	69,948,211	61,038,784	8,909,427
2047	71,347,175	47,628,224	23,718,951	71,347,175	61,770,877	9,576,298
2048	72,774,119	47,988,272	24,785,847	72,774,119	62,521,272	10,252,847
2049	74,229,601	18,684,694	55,544,907	74,229,601	63,290,444	10,939,157
2050	75,714,193	19,058,387	56,655,806	75,714,193	64,078,828	11,635,365
2051	77,228,477	19,439,555	57,788,922	77,228,477	64,886,922	12,341,555
2052	78,773,047	19,828,346	58,944,701	78,773,047	65,715,219	13,057,828
2053	80,348,508	20,224,913	60,123,595	80,348,508	33,282,120	47,066,388
Totals	$2,068,123,753	$1,410,900,433	$657,223,320	$2,068,123,753	$1,927,159,782	$140,963,971

(a) Based on estimates provided by Council Staff, increased by 2.0% per annum.

(Subject to the attached letter of Umbaugh dated March 30, 2015)

ATTACHMENT A

Moody's
INVESTORS SERVICE

SECTOR IN-DEPTH
2 FEBRUARY 2015

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States and Local Government Sectors

Certain US P3 Obligations Will Be Treated as Government Debt

US state and local governments enter into contractual public-private partnership ("P3") project agreements whereby they agree to make availability payments to a private developer when a specific project becomes available for use to the public according to certain standards. Depending on the agreement, we may view these obligations as debt-like and include them in our analysis of a state or local government's total debt burden. This applies to cases where there are contractual obligations and material liability to the government. This treatment of contractual availability payments is similar to our treatment of other contractual obligations and leases for US state and local governments, particularly abatement leases where payments are not made if a project is unavailable.

This debt-like treatment would not apply to demand-risk P3s where the government does not provide contractual payments or assume contingent liability if the project fails.

» **In an availability-payment P3, the state or local government commits to a stream of payments that, on a case by case basis, may be considered debt-like and included in our measures of government debt.** Availability-payment P3 contract obligations can be similar to debt if the government commits to make scheduled payments, with limited "outs," and the government agrees to make termination payments to limit the degree of risk transfer to the private sector. In these cases, we add to the public entity's debt metrics an amount equal to the higher of (i) the liability as reported on the public entity's financial statement and (ii) the termination payment the government would be required to make if the developer defaults.

» **We may view P3 availability-payment commitments as "self-supporting" if they meet certain performance criteria.** As we do with certain types of government-issued debt, we may view P3 availability payments as self-supporting if two conditions are met. First, user charges earned from the project must demonstrate a track record of self-sufficiency and be credibly projected to continue to amply cover the government's annual availability-payment obligations through the life of the P3 project agreement. Second, the government entity must commit the project revenues to offset the state or local government obligations for the life of the commitment.

» **US state and local governments are increasingly turning to availability-payment P3s to finance infrastructure projects.** While the availability-payment P3 market is more developed in some regions internationally, US state and local governments have not embraced availability-payment P3 financings to the same extent. We expect an increase as governments look to alternative methods to fund infrastructure needs.

The Language of P3s

What are P3s?

In its most basic form, a P3 is a contractual partnership between a public-sector governmental entity and a private developer to design, build, finance, operate and/or maintain an infrastructure asset for a specific period. At the end of the contractual period, the asset reverts back to the government to operate and maintain. The government generally maintains ownership of the asset throughout the contract term.

What are milestone payments?

During the design and construction phase, the public entity may make certain milestone payments contingent upon the private entity's progress towards project completion.

What are availability payments?

Once an asset is built to the specifications required by the government and the government accepts the project, the private developer is entitled to payments from the government as long as the asset is made available to the public at the standard required by the government. Availability payments are sized to cover operating and maintenance costs as well as debt-service costs and equity returns as the private entity continues to operate the project.

Availability payments are not subject to swings in demand, such as traffic levels in the case of toll roads, for example, and are adjusted only for lack of performance or availability to the public. The payments are often subject to annual appropriation by the sponsoring government.

About this report. We focus on availability payment P3 projects from the perspective of the public sector in the US. Specifically, we explain our approach to the valuation of availability payments arising from availability payment P3s. This report does not address demand-risk P3s.

P3 availability-payment obligations are similar to debt

Depending on the structure, availability-payment P3s may be viewed as "debt-like" obligations if there are clear, contractual obligations of the state or local government to make scheduled payments for a project or facility made available to the sponsoring government for use. Under those conditions, we will include the liability in the government's direct debt.

The liability included in a government's debt metrics will be the higher of (i) the liability as reported on the government's financial statement and (ii) the size of the government's termination payment under a project company default scenario, which is often set in the P3 project agreement at a level at or near 80% of the outstanding debt.

The government may not report a liability during construction since accounting guidance in the US does not specify the treatment of availability-payment P3 liabilities. If project-specific documents are not available, we will use an assumed termination payment of 80% of the debt outstanding. This amount will be pro-rated in proportion to estimated construction progress.

Some P3 liabilities may be viewed as "self-supported" by project revenues

Availability-payment P3s are often structured with the sponsoring government's expectation that project revenues will partially or fully offset the government's contractually obligated availability payments. Depending on the structure and performance of the project over time, we may view the project as "self-supporting" from the project revenues, and deduct the availability payments from some debt measures. This approach is similar to our treatment of certain types of government-issued debt as self-supporting.

We will view an availability-payment P3 project as self-supporting based on two criteria. First, user charges earned from the project must demonstrate a track record of self-sufficiency and must be credibly projected to continue to amply cover the government's annual availability payments through the life of the obligation with a high level of confidence. Second, the state or local government must commit the project revenues to offset its obligation for the life of the agreement. For this purpose, the project revenues must cover all operating and maintenance payments as well as the government availability payments. A project that meets these criteria would be included in our measure of gross debt and excluded from core measures of the government's net debt burden.

US state and local governments are increasingly turning to availability-payment P3s to finance infrastructure projects

Several US state and local governments have entered into availability-payment P3 agreements to finance major infrastructure projects and more are scheduled to close deals over the next two years (see Exhibit 1). US governments have underinvested in infrastructure for many years due to budget pressure and stagnant gas tax and other revenues, leading to aging assets. At the same time, recent economic expansion has lead to greater use of existing infrastructure. These trends are driving the need for increased infrastructure investment. Availability-payment P3s are one solution in the toolbox available to governments looking for new ways to finance infrastructure. The availability-payment P3 procurement model allows governments to access private capital to pay for up-front project costs through increased private investment, avoid the issuance of new traditional bond debt, and to transfer certain risks to the private sector. The Obama administration's January 16 proposal to create a new municipal bond, the Qualified Private Investment Bond, will likely increase the number of availability-payment P3 projects, if passed.

We expect the imbalance between government revenues and spending needs to continue. To address the gap, as well as take advantage of private-sector innovations and assumption of construction risks, US governments have $7.1 billion in availability-payment P3s scheduled to close within the next two years. We have also seen and expect US governments to continue to use the availability-payment P3 procurement process in other sectors beyond transportation including judicial, education, water and sewer. In addition to the added private investment, governments look to the availability-payment P3 procurement process to accelerate project delivery and lower project costs through a competitive bid process while also transferring some of the risks involved in construction and operations to the private sector. US state and local governments are increasing their use of availability-payment P3s, having reached financial close on $9.1 billion since 2009, and a comparable amount of projects are expected to reach financial close over the next two years, according to IJGlobal.

Exhibit 1

US State and Local Governments are Increasingly Using Availability-Payment P3s to Finance Infrastructure

Transaction Name	Transaction Sector	Latest Transaction Event	Financial Close Date	Government Offtaker
Transactions that have closed				
Florida I-595 Highway Upgrade	Road	Financial Close	3/2/2009	Florida
Port of Miami Tunnel	Tunnel	Financial Close	10/15/2009	Florida
Denver Metro Eagle Phase I	Light Rail	Financial Close	8/12/2010	RTD (Denver)
Long Beach Courthouse	Justice	Financial Close	12/20/2010	California
Presidio Parkway	Road	Financial Close	6/14/2012	California
Ohio River Bridges - East End Crossing	Bridge	Financial Close	3/29/2013	Indiana
Goethals Bridge Replacement	Bridge	Financial Close	11/11/2013	Port Authority of NY&NJ
Indiana East–West Toll Road I-69 Section V	Road	Financial Close	7/23/2014	Indiana
I-4 Ultimate Project	Road	Financial Close	9/4/2014	Florida
Transactions that are scheduled to close within the next two years				
Portsmouth Bypass (Ohio)	Road	Preferred Bidder		Ohio
Long Beach Civic Center	Social	Preferred Bidder		City of Long Beach
Marion County Consolidated Criminal Justice Complex	Justice	Preferred Bidder		City of Indianapolis
Pennsylvania Rapid Bridge Replacement	Bridge	Preferred Bidder		Pennsylvania
Houston Justice Center	Justice	Shortlist		City of Houston
MTA Maryland Purple Line	Light Rail	Shortlist		Maryland
University of California Merced Campus 2020 Redevelopment	Education	Shortlist		University of California
Illiana Expressway (Illinois)	Road	Shortlist		Illinois
Illiana Expressway (Indiana)	Road	Shortlist		Indiana
MTA Baltimore Red Line	Light Rail	Announced		Maryland

Source: IJGlobal

Florida (Aa1 stable) has three large availability-payment P3s, with two opening recently and one beginning construction. The state has committed to annual availability payments for all of the projects. In August 2014, Florida opened the Port of Miami Tunnel and the state will make availability payments to the concessionaire to operate and maintain the facility for the next 30 years. The state's I-595 improvement project near Ft. Lauderdale opened in March 2014 and the state has begun making availability payments, which it expects to cover with toll revenues or other state revenues, if necessary. In September 2014, Florida closed on the I-4 project including a 40-year concession and the state also expects to cover annual availability payments from toll revenues or other state revenues, if necessary. The construction costs for those three projects total $4.1 billion.

Indiana (Aaa stable) has used availability-payment P3s in recent years, with projects that have reached financial close totaling $1.6 billion. Indiana financed a new bridge and tunnel, the East End Crossing, with milestone payments during construction and availability payments over a 35-year operating period, which it expects will be recovered from toll revenues collected over the life of the project. Indiana also used the availability-payment model to finance an expansion and rehabilitation of a section of I-69 in a transaction that closed in July 2014.

Moody's Related Research

Special Comments:

- EMEA PFI/PPP: Easing of Counterparty Risk Supports Stable Industry Outlook, November 2014 (1001024)
- Public Private Partnerships: Global P3 Landscape, September 2014 (174672)
- Latest US Infrastructure Initiatives Promote Visibility of P3s, July 2014 (173355)
- Peru: PPPs Complement Public Investment Drive, a Credit Positive, August 2014 (171807)

Rating Methodologies:

- US Local Government General Obligation Debt, January 2014 (162757)
- US States Rating Methodology, April 2013 (129816)
- Operating Risk in Privately-Financed Public Infrastructure (PFI/PPP/P3) Projects, December 2007 (106479)
- Construction Risk in Privately-Financed Public Infrastructure (PFI/PPP/P3) Projects, April 2014 (165887)

Moody's
INVESTORS SERVICE

ATTACHMENT B

INDIANAPOLIS (INDIANA) CONSOLIDATED JUSTICE FACILITY

Draft - Assumes MMD "AA" Rating as of 11/24/14 plus 50 bps

Sources & Uses

Dated 08/01/2015 | Delivered 08/01/2015

Sources Of Funds	
Par Amount of Bonds	$664,090,000.00
Total Sources	**$664,090,000.00**

Uses Of Funds	
Costs of Issuance	13,281,800.00
Deposit to Debt Service Reserve Fund (DSRF)	36,847,850.00
Deposit to Capitalized Interest (CIF) Fund	67,457,446.88
Deposit to Project Construction Fund	546,500,000.00
Rounding Amount	2,903.12
Total Uses	**$664,090,000.00**

INDIANAPOLIS (INDIANA) CONSOLIDATED JUSTICE FACILITY

Draft - Assumes MMD "AA" Rating as of 11/24/14 plus 50 bps

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S
07/01/2016			$21,200,911.88	$21,200,911.88	($21,200,911.88)	
07/01/2017			23,128,267.50	23,128,267.50	(23,128,267.50)	
07/01/2018			23,128,267.50	23,128,267.50	(23,128,267.50)	
07/01/2019	$13,715,000.00	1.800%	23,128,267.50	36,843,267.50	-	$36,843,267.50
07/01/2020	13,965,000.00	2.100%	22,881,397.50	36,846,397.50	-	36,846,397.50
07/01/2021	14,255,000.00	2.400%	22,588,132.50	36,843,132.50	-	36,843,132.50
07/01/2022	14,600,000.00	2.600%	22,246,012.50	36,846,012.50	-	36,846,012.50
07/01/2023	14,980,000.00	2.750%	21,866,412.50	36,846,412.50	-	36,846,412.50
07/01/2024	15,390,000.00	2.900%	21,454,462.50	36,844,462.50	-	36,844,462.50
07/01/2025	15,835,000.00	3.000%	21,008,152.50	36,843,152.50	-	36,843,152.50
07/01/2026	16,310,000.00	3.100%	20,533,102.50	36,843,102.50	-	36,843,102.50
07/01/2027	16,820,000.00	3.200%	20,027,492.50	36,847,492.50	-	36,847,492.50
07/01/2028	17,355,000.00	3.250%	19,489,252.50	36,844,252.50	-	36,844,252.50
07/01/2029	17,920,000.00	3.300%	18,925,215.00	36,845,215.00	-	36,845,215.00
07/01/2030	18,510,000.00	3.350%	18,333,855.00	36,843,855.00	-	36,843,855.00
07/01/2031	19,130,000.00	3.400%	17,713,770.00	36,843,770.00	-	36,843,770.00
07/01/2032	19,780,000.00	3.450%	17,063,350.00	36,843,350.00	-	36,843,350.00
07/01/2033	20,465,000.00	3.500%	16,380,940.00	36,845,940.00	-	36,845,940.00
07/01/2034	21,180,000.00	3.550%	15,664,665.00	36,844,665.00	-	36,844,665.00
07/01/2035	21,930,000.00	3.600%	14,912,775.00	36,842,775.00	-	36,842,775.00
07/01/2036	22,720,000.00	3.650%	14,123,295.00	36,843,295.00	-	36,843,295.00
07/01/2037	23,550,000.00	3.700%	13,294,015.00	36,844,015.00	-	36,844,015.00
07/01/2038	24,425,000.00	3.700%	12,422,665.00	36,847,665.00	-	36,847,665.00
07/01/2039	25,325,000.00	3.750%	11,518,940.00	36,843,940.00	-	36,843,940.00
07/01/2040	26,275,000.00	3.750%	10,569,252.50	36,844,252.50	-	36,844,252.50
07/01/2041	27,260,000.00	3.800%	9,583,940.00	36,843,940.00	-	36,843,940.00
07/01/2042	28,295,000.00	3.800%	8,548,060.00	36,843,060.00	-	36,843,060.00
07/01/2043	29,375,000.00	3.850%	7,472,850.00	36,847,850.00	-	36,847,850.00
07/01/2044	30,505,000.00	3.850%	6,341,912.50	36,846,912.50	-	36,846,912.50
07/01/2045	31,680,000.00	3.850%	5,167,470.00	36,847,470.00	-	36,847,470.00
07/01/2046	32,895,000.00	3.850%	3,947,790.00	36,842,790.00	-	36,842,790.00
07/01/2047	34,165,000.00	3.850%	2,681,332.50	36,846,332.50	-	36,846,332.50
07/01/2048	35,480,000.00	3.850%	1,365,980.00	36,845,980.00	-	36,845,980.00
Total	**$664,090,000.00**		**$508,712,204.38**	**$1,172,802,204.38**	**($67,457,446.88)**	**$1,105,344,757.50**

ATTACHMENT C

INDIANAPOLIS (INDIANA) CONSOLIDATED JUSTICE FACILITY

Draft - Assumes MMD "AA" Rating as of 11/24/14 plus 50 bps

Sources & Uses

Dated 08/01/2015 | Delivered 08/01/2015

Sources Of Funds	
Par Amount of Bonds	$534,795,000.00
Total Sources	**$534,795,000.00**
Uses Of Funds	
Costs of Issuance	10,695,900.00
Deposit to Debt Service Reserve Fund (DSRF)	29,674,197.50
Deposit to Capitalized Interest (CIF) Fund	54,323,798.96
Deposit to Project Construction Fund	440,100,000.00
Rounding Amount	1,103.54
Total Uses	**$534,795,000.00**

INDIANAPOLIS (INDIANA) CONSOLIDATED JUSTICE FACILITY

Draft - Assumes MMD "AA" Rating as of 11/24/14 plus 50 bps

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S
07/01/2016			$17,073,193.96	$17,073,193.96	($17,073,193.96)	
07/01/2017			18,625,302.50	18,625,302.50	(18,625,302.50)	
07/01/2018			18,625,302.50	18,625,302.50	(18,625,302.50)	
07/01/2019	$11,045,000.00	1.800%	18,625,302.50	29,670,302.50	-	$29,670,302.50
07/01/2020	11,245,000.00	2.100%	18,426,492.50	29,671,492.50	-	29,671,492.50
07/01/2021	11,480,000.00	2.400%	18,190,347.50	29,670,347.50	-	29,670,347.50
07/01/2022	11,755,000.00	2.600%	17,914,827.50	29,669,827.50	-	29,669,827.50
07/01/2023	12,065,000.00	2.750%	17,609,197.50	29,674,197.50	-	29,674,197.50
07/01/2024	12,395,000.00	2.900%	17,277,410.00	29,672,410.00	-	29,672,410.00
07/01/2025	12,755,000.00	3.000%	16,917,955.00	29,672,955.00	-	29,672,955.00
07/01/2026	13,135,000.00	3.100%	16,535,305.00	29,670,305.00	-	29,670,305.00
07/01/2027	13,545,000.00	3.200%	16,128,120.00	29,673,120.00	-	29,673,120.00
07/01/2028	13,975,000.00	3.250%	15,694,680.00	29,669,680.00	-	29,669,680.00
07/01/2029	14,430,000.00	3.300%	15,240,492.50	29,670,492.50	-	29,670,492.50
07/01/2030	14,905,000.00	3.350%	14,764,302.50	29,669,302.50	-	29,669,302.50
07/01/2031	15,405,000.00	3.400%	14,264,985.00	29,669,985.00	-	29,669,985.00
07/01/2032	15,930,000.00	3.450%	13,741,215.00	29,671,215.00	-	29,671,215.00
07/01/2033	16,480,000.00	3.500%	13,191,630.00	29,671,630.00	-	29,671,630.00
07/01/2034	17,055,000.00	3.550%	12,614,830.00	29,669,830.00	-	29,669,830.00
07/01/2035	17,660,000.00	3.600%	12,009,377.50	29,669,377.50	-	29,669,377.50
07/01/2036	18,300,000.00	3.650%	11,373,617.50	29,673,617.50	-	29,673,617.50
07/01/2037	18,965,000.00	3.700%	10,705,667.50	29,670,667.50	-	29,670,667.50
07/01/2038	19,670,000.00	3.700%	10,003,962.50	29,673,962.50	-	29,673,962.50
07/01/2039	20,395,000.00	3.750%	9,276,172.50	29,671,172.50	-	29,671,172.50
07/01/2040	21,160,000.00	3.750%	8,511,360.00	29,671,360.00	-	29,671,360.00
07/01/2041	21,955,000.00	3.800%	7,717,860.00	29,672,860.00	-	29,672,860.00
07/01/2042	22,790,000.00	3.800%	6,883,570.00	29,673,570.00	-	29,673,570.00
07/01/2043	23,655,000.00	3.850%	6,017,550.00	29,672,550.00	-	29,672,550.00
07/01/2044	24,565,000.00	3.850%	5,106,832.50	29,671,832.50	-	29,671,832.50
07/01/2045	25,510,000.00	3.850%	4,161,080.00	29,671,080.00	-	29,671,080.00
07/01/2046	26,490,000.00	3.850%	3,178,945.00	29,668,945.00	-	29,668,945.00
07/01/2047	27,510,000.00	3.850%	2,159,080.00	29,669,080.00	-	29,669,080.00
07/01/2048	28,570,000.00	3.850%	1,099,945.00	29,669,945.00	-	29,669,945.00
Total	**$534,795,000.00**		**$409,665,911.46**	**$944,460,911.46**	**($54,323,798.96)**	**$890,137,112.50**

ADDITIONAL POINTS AND CONCLUSION

CITY-COUNTY COUNCIL STAFF MCJC FINANCIAL ANALYSIS
-ADDITIONAL POINTS AND CONCLUSIONS -

Additional points on the City's financial risk- The proposed PPA with WMB makes great strides to be a comprehensive project delivery solution for the City and to transfer numerous risks from the City. However, there are several other limited potential financial risks and liabilities that exist with the proposed PPA with WMB that in favor of true transparency and full disclosure should not be ignored. They are briefly noted as follows for the benefit of the Council's inquiry and ultimate evaluation of the PPA:

- ***Independent costs***- WMB's bid is limited only to the project scope identified in the City's Request for Proposals. It is crucial to note that the City's RFP did not include several different additional cost items that are highly likely, if not necessary, to occur if the PPA is approved.
    - Law offices building. WMB's bid does not include the cost for the anticipated "Law Offices Building" that must be built on the proposed campus to house the Marion County Prosecutor and Public Defender's offices. This is an unknown, but definite future cost that will result from approving the PPA with WMB. The actual annual cost and/or budget impact of this cost have not been identified or even estimated. It is reasonable to assume that if potential savings could pay for the full cost of this building, presumably it would have remained part of the comprehensive project specifications and part of the City's RFP. But it did not.

    - Moving costs. WMB's bid does not include the cost to physically relocate the relevant agencies to their new facilities. It similarly does not include any limited costs to "moth-ball" the facilities being vacated. While likely significant, these are one-time independent costs that must be funded, but that have not been identified or even estimated.

    - New technology. WMB's bid does not provide for any new technology costs over and above the technology infrastructure and hardware currently being provided to the effected agencies by ISA. If there are to be any information technology upgrades to the new facility (such as video conferencing, electronic case filing, etc.) those upgrades would likely be separately funded through ISA charge backs and would likely adversely affect the budgets of the relevant agencies.

- ***Environmental risk/costs***- One significant attribute of WMB's bid is its innovative solutions to attempt to mitigate the obvious environmental risks associated with building on a historically well-documented industrial brownfield site. WMB's PPA also includes terms wherein WMB accepts responsibility for problems caused by known environmental problems at the site. However, the City must obtain Pollution Liability Insurance coverage at the City's costs to cover bodily injury and/or property damage tort claims arising from the existence of hazardous materials on the site – whether known or unknown – up to a coverage limit of $35M. The Pollution Liability Insurance premium is a definite independent cost. The City also retains responsibility for any liabilities or claims arising from "unknown" environmental characteristics of the site. The City has performed Phase 1 and Phase 2 environmental studies, but those studies cannot reasonably be relied upon to identify 100% of all potential environmental risks at a site.

The potential liability to the City for currently “unknown” environmental risks should not be ignored as a potential independent cost to the City.

- ***Design and construction risk/costs-*** Another attribute of WMB’s bid is its incentive-based mitigation of design and construction cost overruns by using a guaranteed construction price and private Design-Build project delivery method. As with any Design-Build project, however, the project is only 20-30% “designed” at the time the Design-Build contract is awarded, in this case 2-3 years before substantial completion of the project. As such, there still exists a risk for design changes that could material alter the as-bid design specifications. While the WMB bid and design specifications provide for significant design flexibility throughout project’s construction, there is obviously a tipping point. The City will be responsible for additional construction costs stemming from significant design changes at the City’s request that materially alter or conflict with the as-bid project specifications (e.g. adding additional courtrooms).

- ***Administrative costs-*** The proposed PPA with WMB will require constant maintenance and administration to ensure WMB’s performance and accountability throughout its entire 35 year term to ensure. The PPA contemplates consistent communication between WMB and the City and constant decision-making by the City relating to WMB’s operation of the new facilities. A new administrative board will likely be necessary to administer the agreement with WMB. Staffing and overhead for the new board will be a necessary independent cost that is not covered by WMB’s bid.

- ***Political risk and financial costs thereof-*** While admittedly difficult to completely identify and quantify, there are future political risks that could adversely affect the City’s financial position and that should not be ignored. By the time the proposed project is complete and occupied, a new City-County Council, a new Mayor, a new General Term of the Superior Court, and a new Sheriff will have been elected (or will be soon to be elected almost immediately thereafter). The City/County’s potential approval of the PPA with WMB is currently being predicated on budgetary and operational commitments made in 2015 by stakeholders that will change. One cannot ignore the risk that different future officials or governing bodies will be able to renege on operational and budgetary commitments that have been pledged (without guarantee or legal enforceability) in order afford availability payments to WMB. Similarly, many of the attributes and cost mitigation in the PPA rely on the political will of City/County officials to enforce them. For example, the City must be willing to stand up for and defend its rights to require deductions for potentially poor service, even in the face of a potential conflict with WMB- an obviously deep-pocketed and well-represented potential adversary. Otherwise, the City/County’s financial position and the value of this project will suffer.

Conclusions

1. There exist significant budgetary shortfalls that will likely either require cuts to unrelated budget obligations or additional new tax revenue to 100% fund the availability payments to WMB during the first 10-11 years of the PPA term.
2. Council Staff has sought to achieve 110% coverage of the availability payments to WMB in order to accommodate any significant failed assumptions in the City's affordability analysis. Council Staff has determined that such coverage and any resulting assurances are not possible without substantial previously unidentified operational efficiencies, deep budget cuts, or additional new tax revenue.
3. It is possible for the City to essentially replicate the proposed Justice Center project at a lower cost to taxpayers through:
    a. Public tax-exempt financing (including financing a guaranteed construction cost and reasonable anticipated life-cycle capital costs),
    b. A separately bid public Design-Build Agreement under I.C. 5-30 (that relies almost entirely on the "bridging" work already performed by HOK & KPMG for the City) with design and construction terms similar to those of the WMB PPA, and
    c. A favorable and separately bid Operating and Maintenance agreement with terms similar to those of the WMB PPA.
4. There exist several independent additional, but necessary (or highly likely) costs and/or variable potential costs that will result from approval of the PPA with WMB that should be assessed and considered as part of the total immediate and long-term costs of this project to Indianapolis taxpayers.